

Statement by

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Chairman Rogers, Ranking Member Meek and members of the Committee: Thank you for the opportunity to be here today to discuss the current state of the Department's human capital initiatives and programs.

I was appointed as the Department's Chief Human Capital Officer on September 7, 2005 after more than 30 years in the Human Capital field as a professional, an executive, and a management consultant. I spent the first thirteen years of my career as a career Federal employee with the U.S. Information Agency and the Voice of America, five years as the Corporate Director of Human Resources with a federally-funded corporation, two and one-half years as the Director of Human Resources for a county government, and ten years as a management consultant with leading Human Capital consulting firms. Through the years I have worked with a wide array of Federal, state and local governments, corporate, and not-for-profit organizations and have gained significant experience in every major area of Human Capital management.

As the Chief Human Capital Officer, I provide direction and oversight for all elements of the Department's Human Capital programs, including policy, strategic planning, learning and development, recruitment, performance management, compensation, benefits, union and employee relations, and other areas. I also lead the Department's Human Capital Council which is made up of the Human Capital Directors for the various Department components, and am an active participant on the government-wide Council of Chief Human Capital Officers. Even though I have only been with the Department a few months, I believe I have gained a sound understanding of the complexities of the organization and the challenges we face in recruiting, retaining, and supporting the high-quality workforce this Department needs to achieve its critical mission.

The Complexity of the Workforce

I would like to first address the complexity of the DHS workforce.

DHS is the third-largest Federal Department, with nearly 185,000 employees located across the United States and around the world. Each of our components – large and small – has a distinct culture and character. The DHS workforce is also more varied than most other federal agencies, with employees in more than 220 different occupations – ranging from law enforcement officers and firefighters to doctors, economists, intelligence officers, pilots, scientists, airport screeners, accountants, Secret Service agents, systems integrators, plant and animal inspectors, and many, many others -- even morticians.

As of April 1, 2006, we have more than 40,000 Coast Guard military personnel; 40,500 transportation screeners; 17,800 customs and border protection officers; 11,500 border patrol agents; 9,600 criminal investigators; 2,000 IT professionals; 1,700 police officers; 1,300 attorneys; 800 engineers; and 700 contract specialists.

Last fiscal year, our workforce:

- Processed more than 430 million pedestrians and passengers into the United States; 560,000 of who were denied entry,

- Processed 29 million trade entries and collected \$31.4 billion in revenue,
- Seized nearly 600 lbs of narcotics at ports of entry and nearly 1.2 million lbs of narcotics between ports of entry,
- Apprehended over 15,000 aliens who were either fugitives or in violation of immigration law.
- Since 2003, arrested more than 6,600 child predators as part of Operation Predator; deporting more than 3,400 from the U.S.,
- Arrested more than 2,600 human smuggler and traffickers,
- Effectively trained over 47,000 law enforcement agents at the Federal Law Enforcement Training Center,
- Conducted more than 26,800 port security patrols, 5,800 air patrols, and 26,000 security boardings,
- Processed 7.3 million immigration benefits applications, and
- Performed 35 million background security checks on persons seeking immigration benefits.

Recruiting and staffing for this varied workforce continues to be a major challenge. In fiscal year 2005, we processed thousands of job applications and hired more than 11,500 new employees. In fiscal year 2006 to date, DHS has hired over 3,500 employees.

The dedicated men and women who make up the Department's incredibly wide-ranging workforce are essential to achieving the organization's mission on a daily basis. Our overarching goal in human capital is to support them by providing an environment where they have clear roles and responsibilities, challenging assignments, the tools and training they need to perform their work, opportunities to grow, and rewards that are commensurate with their contributions.

Organizational Transformation

We have to remember that when DHS was created by combining 22 different organizations, it was one of the largest "mergers & acquisitions" to ever take place in the Federal government. I believe most corporate merger and acquisition specialists would say that it takes five to seven years (or longer) to work through the throes of a merger to end up with a smooth-running, well-integrated organization. Accordingly, at this point DHS is only three years into a seven-year journey. While the Department has made great progress, it still has challenges to overcome before it becomes a fully-integrated organization.

One of our major challenges involves the disruption a merger creates and the resulting impact on employee morale. It was apparent from the results of the 2004 Federal Human Capital Survey (FHCS) that a number of employees at DHS were concerned about the organization. As you know, about 150,000 employees, government-wide, responded to a survey designed to measure their satisfaction with their departments and agencies. The survey results for DHS showed many areas of strength, including employee commitment to the department's mission and goals, but also significant opportunities for improvement, especially in the areas of performance culture, leadership, and work experiences. DHS' scores placed it twenty ninth out of the thirty large agencies in the survey.

We believe that time will reduce some of the concerns that employees voiced, but we also believe that improving organizational understanding, communications, management skills, and the support infrastructure will help. To this end, we created a Federal Human Capital Survey Response Team comprised of representatives from each DHS component to examine the survey results, to review leading practices inside and outside the Department, and to develop a plan of action for each component to improve staff satisfaction with the organization.

We also believe that elements of MAX^{HR}, the new human capital system we are implementing, will have a positive impact on morale. For example, the new performance management system is designed to clarify each employee's roles and responsibilities and give them a set of clear performance objectives that are tied to the Department's overall objectives. The emphasis of the program is on clarity and "line of sight" so employees understand exactly where they fit in the organization and what their priorities should be.

The system also requires all managers and supervisors to go through a training program to improve their skills in communications with employees, making assignments, setting performance objectives, providing feedback and coaching to employees, receiving feedback from employees, and providing a fair and balanced evaluation of the employee's strengths and weaknesses at the end of the year.

Areas of Progress

Given the enormity of the Department's day-to-day operations, the Chief Human Capital Office is striving to implement innovative human capital policies and processes designed to better support the workforce. I am pleased to report that we have made significant progress in integrating our human capital priorities, programs and systems.

FY 2005 marked the first full performance year under the DHS Human Capital Strategic Plan. Significant progress was made on each of the four major goals included in the plan:

- Optimizing shared services
- Improving hiring
- Fostering a "team DHS" culture
- Implementing robust human capital programs

In addition, we have created a formal, replicable business process for validating and updating the plan's goals and strategies to ensure that they are responsive to the rapidly changing environment that is today's world. As a result of this business process, we developed a comprehensive set of human capital activities for FY 2006, and progress toward them is well underway.

Specific examples of our accomplishments include:

- **Human Capital Council:** we established the Human Capital Council to represent component interests and provide strategic guidance and support for all human capital priorities and initiatives.
- **Technology:** we are at the forefront of technology solutions, and are among the first Federal agencies to roll out the eOPF (Official Personnel File), under the auspices of the e-Gov initiative. We have also successfully consolidated duplicative human capital management and tracking systems, including reducing eight legacy payroll systems to one. In addition, we are making significant progress in implementing several new, enterprise-wide systems, including WebTA, EmpowHR and a Learning Management System. We are currently soliciting proposals for an e-Recruitment solution.
- **Communications:** we centralized human capital communication efforts to ensure employees receive consistent messaging on human capital priorities. We established a new intranet web page for the Chief Human Capital Office. This new site provides detailed information on a variety of program areas within the office and includes the latest information on the development of the MAX^{HR} program.
- **Progress on the PMA:** we have made important progress on the human capital elements of the President's Management Agenda, including:
 - *Human Capital Strategy:* In FY 2004, the Department issued its first Human Capital Strategic Plan (HCSP), which was aligned with the Department's Strategic Plan. The HCSP identified four primary objectives: realizing operational and hiring efficiencies and effectiveness, optimizing shared services, fostering a "Team DHS" organizational culture, and implementing robust HC programs. These objectives were based largely on input from the employees, supervisors, and managers across the Department as well as from the HC community. On an annual basis, the Department's HC Council reviews the progress that has been made towards these objectives and identifies very specific goals for the upcoming year, ensuring that the entire line of business is engaged in the realization of these goals. These are not only my goals, and those of the employees of the Office of the Chief Human Capital Officer, they are the shared goals of the entire DHS HC community.
 - *Talent:* DHS developed a Workforce Plan in FY05 and we have conducted a comprehensive analysis of the staffing and competency gaps within our Information Technology (IT) workforce and developed an implementation plan with milestones and performance measures to close those gaps. Currently we are assessing the competencies within our Human Resources (HR) workforce and will

develop a plan by the end of June to close targeted competency gaps within that occupation.

- *Leadership and Knowledge Management:* DHS is in the process of hiring an SES-level Chief Learning Officer within the CHCO to coordinate and oversee the Department's learning and development programs and infrastructure. In addition, DHS has selected a vendor to develop a common Learning Management System for the Department, which will improve our ability to monitor learning and development activities. The CHCO is also working to design a homeland security professional development program to unify training and readiness throughout the public and private sectors.
- *Performance Culture:* DHS expanded deployment of its new performance management program beyond Headquarters to managers and supervisors in the U.S. Coast Guard and Immigration and Customs Enforcement last month – the latest milestone in implementing a performance-based culture throughout the Department.
- **Progress on MAX^{HR}:** we have made progress in implementing a new, performance-based human capital system, called MAX^{HR}, to drive results across the Department.
 - *Performance management:* a new MAX^{HR} Performance Management Program has been designed and is now deployed to more than 4,500 employees in headquarters, the U.S. Coast Guard, and Immigration and Customs Enforcement. A cornerstone of the MAX^{HR} Performance Management Program is the link between individual employee performance goals and the strategic goals of their component and the department. Under MAX^{HR}, individual performance goals are identified and documented in the Performance Plan and Appraisal using the MAX^{HR} e-Performance Tool. By the end of 2006, coverage should be expanded to a total of 18,000 employees across the department.
 - *Broadband compensation system:* the design of the new pay banding system is nearing completion, with proposed occupational clusters and pay bands developed for each cluster. The design is currently being vetted by the Human Capital Council and others.
 - *Pay-for-performance:* the new pay system is on track for implementation beginning in February 2007. Rollout of the pay system will continue in phases through calendar year 2008.
 - *Labor relations/Adverse actions and Appeals:* the U.S. District Court for the District of Columbia enjoined DHS from implementing the labor relations provisions of the MAX^{HR} regulations and a new mitigation standard. We remain hopeful that the Court will allow us to move forward with these provisions, which will help us to manage, recognize and reward our employees more effectively, while preserving their fundamental rights and due process.
- **Providing high quality and effective training for our staff, supervisors, managers, and executives:** we have successfully trained a critical mass of DHS employees.

- In fiscal year 2005, DHS trained (directly or via distance learning) approximately 3 million people, including DHS employees, firefighters and other federal, state and local government employees.
- In fiscal year 2006, approximately 8,000 supervisors and managers have received performance leadership training to prepare them for the transition to MAX^{HR}, with an additional 6,000 to be trained by October 2006.

Organizational Challenges

Managing the Department's human capital infrastructure and building the MAX^{HR} system are not without challenges. In line with the DHS Human Capital Strategic Plan, we continue to forecast and plan for the challenges we will face moving forward – and develop innovative ways to manage our human capital resources to respond to these issues. Some of these key challenges we face include:

- **Continuing the integration of a diverse workforce with strong legacy cultures into one, cohesive team with a shared culture**
- **Recruiting and retaining a high-performing workforce**
 - In fiscal year 2005, DHS hired over 11,500 employees.
 - In fiscal year 2006 to date, DHS has hired over 3,500 employees.
 - DHS' average performance against the OPM 45-day hiring model during FY 2005 was 44 days. (This includes 3 steps: rating, ranking to certificate delivery (1-15 days); selection (2 – 7 days); and extension of job offer (1 – 3 days).
- **Managing the impending “Retirement Wave” at DHS**
 - By 2009, 14% of the DHS workforce will be eligible to retire. While the overall number is lower than other agencies, the alarming fact is that 49% of SES level employees and 37% of GS-15 level employees will be eligible to retire. This “leadership drain” is an issue that we are addressing in partnership with OPM.
 - Some components have much higher retirement eligibility rates, including the U.S. Secret Service. By 2010, 91% of their SES level employees will be eligible to retire, and 75% of their GS-15s.
 - The average age of DHS employees is 42 vs. the federal average of 46.
- **Improving morale and commitment across the organization**
- **Improving the quality and speed of HR servicing across the Department**
- **Leveraging technology to improve operational efficiencies and economies of scale in the Human Capital area**
 - Implementing enterprise-wide, core HR systems, including EmpowHR, eOPF, WebTA, ePerformance, eLearning and eRecruitment

- Standardizing business processes where appropriate
 - Maximizing resources through shared service initiatives
 - Eliminating/reducing redundancies
 - Clarifying roles and responsibilities
- **Continuing to drive toward creating a high-performance culture that can be a model for the rest of the government**

Conclusion

Although we still have a lot of challenges before us, DHS has made real progress in integrating human capital programs and advancing innovative, new ways of both managing and supporting the Department's most valuable assets – its people. Moving forward, our strategic human capital priorities include:

- Playing a key role in achieving the Department's mission objectives
- Driving high-quality HC customer service across the Department
- Implementing MAX^{HR}, focusing on creating a high-performance culture across the Department
- Expanding functional integration and fostering a "Team DHS" culture
- Creating efficiencies through shared services and streamlined business processes
- Leveraging technology to improve access, service, speed and efficiency
- Driving innovation and change
- Creating a model CHCO office and healthy relationships with clients and stakeholders, both internal and external

Thank you for your leadership and your continued support of the Department of Homeland Security and its human capital management programs. I would be happy to answer any questions you may have.

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